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# **Canada**

## **Agricultural Situation**

### **This Week in Canadian Agriculture, Issue 11**

### **2003**

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**Report Highlights:** Border Security Tightens \* Prime Minister Vows to Keep Border Crossings Open \* Canada Remains Concerned with WTO Modalities Paper \* WTO Review Misses the Mark Say Dairy Farmers \* Agriweek Says CWB Most Vulnerable on Government Support \* B.C. Salmon Farmers React to Restaurant Boycott \* No Privatization for Ontario Liquor Sales Says CEO \* Great Lake Ice Will Help Fruit Crops...and more!

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**BORDER SECURITY TIGHTENS:** With military action underway in the Middle East and U.S. Homeland Security's "Operation Liberty Shield," which tightened security at U.S. borders, airports, ports and railways, border officials acknowledge that they have added personnel at U.S./Canadian land borders to conduct more checks of vehicles and cargo, more interviews and more secondary screening. There are reportedly plans to deploy additional planes and helicopters to monitor the vast and often uninhabited areas between border stations along the 5,558 mile border. The Canada Customs and Revenue Agency has announced special "export checks" to protect border infrastructure in Southern Ontario, including increased inspections, more detailed questioning, and more intensive document review. Commercial vehicle border delays into the U.S. were reported to be manageable. The Ontario/New York/Michigan border crossings are the highest volume points for Canadian commercial shipments to the United States.

**PRIME MINISTER VOWS TO KEEP BORDER CROSSINGS OPEN:** According to the *Globe and Mail*, Canada's Prime Minister Jean Chrétien vowed to keep Canada-U.S. border crossings open and flowing despite a heightened terror alert and the first official strikes in the war with Iraq. "We are working closely with the American authorities to ensure the security and efficiency of our borders and border crossings," Mr. Chrétien told reporters in Ottawa. According to the Canada Customs and Revenue Agency, the Pacific Highway crossing from Surrey, B.C. to Blaine, WA had the longest lines Thursday morning, with commercial traffic waiting an hour to cross. Canada Customs says it is taking about 90 minutes for commercial trucks to cross into the U.S. at the Ambassador Bridge in Windsor.

**CANADA REMAINS CONCERNED WITH WTO MODALITIES PAPER:** The revised first draft of the WTO agriculture "modalities" paper was circulated to member governments this week as the negotiations approach the 31 March deadline for establishing "modalities" — targets (including numerical targets) for achieving the objectives of the negotiations, as well as issues related to rules. In response to the revised draft, AgMin Vancilief stated Canada continues to have serious concerns with several important aspects of the revised proposal. "We will continue to come out strongly against elements of the draft proposal including the approach on market access, state-trading enterprises and the lack of ambition in reducing trade-distorting subsidies," Mr. Vancilief said. "We are aggressively pursuing an ambitious outcome that allows our producers to compete fairly, on a level playing field, and not against other government treasuries." The revised draft proposals reflect the ideas of Stuart Harbinson, Chair of the WTO agriculture negotiations, for moving the negotiations forward. They will be discussed by negotiators at a further round of talks from March 24-31 in Geneva.

**WTO REVIEW MISSES THE MARK SAY DAIRY FARMERS:** On March 14, Dairy Farmers of Canada (DFC) said that Canada must defend Canada's rights to orderly marketing in response to the World Trade Organization (WTO) Secretariat review of Canada's trade policy. In its review says DFC, the WTO tries to point fingers at domestic dairy producer prices, falsely implying they inflate consumer prices. "The review compared Canadian dairy producer prices to low dumping prices that are observed on the so-called world market," said Leo Bertoia, President of Dairy Farmers of Canada. "Instead, the review should have compared retail prices in various countries; it would have concluded that consumers benefit from the domestic supply management system - at no cost to taxpayers." "Governments around the world provide billions of dollars to agricultural producers who struggle with low prices and unstable world markets," said Mr. Bertoia. "These lower producer prices do not translate into lower consumer prices because of increased market concentration at the hands of a few enterprises. Supply management serves Canadians well and has succeeded to divide the pie more equally between producers and the other players in the marketing chain." DFC argues that supply management eliminates the need for government handouts. "The Government of Canada must defend its sovereign rights to orderly marketing in the face of global pressures and show that supply-managed industries meet Canada's trade commitments in a transparent way," concluded Mr. Bertoia.

**AGRIWEEK SAYS CWB MOST VULNERABLE ON GOVERNMENT SUPPORT:**

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The March 17 edition of *Agriweek* reported in response to the U.S. government decision to take the Canadian Wheat Board (CWB) to the World Trade Organization (WTO) dispute resolution panel over Canadian grain trading practices, citing unfair trading practices and government support, that the CWB system is most vulnerable on the matter of government support. The *Agriweek* article said that the U.S. has a powerful precedent in last year's WTO ruling on dairy product exports from Canada. The action, in which the U.S. was joined by New Zealand, survived all appeals. The WTO panel determined that government-sanctioned milk marketing boards are in a position to unfairly subsidize dairy exports. The milk ruling effectively eliminated Canadian dairy exports above the nominal amount that all countries are allowed to export with subsidies. The government connection to the Wheat Board is, of course, many times stronger, said *Agriweek*.

**B.C. SALMON FARMERS REACT TO RESTAURANT BOYCOTT:** The B.C. Salmon Farmers Association learned that a number of Vancouver restaurants have chosen to remove farm-raised salmon from their menus. The Association reacted immediately to the escalation of what it termed the "misinformation campaign against the salmon farming industry in the province." "We understand that, as service-oriented enterprises, restaurants must be responsive to their customers," said a salmon association spokesperson. "However, we also know that much of the information in the consumer marketplace about farm-raised salmon is simply not true. Our concern is that, faced with the confusion in the marketplace, consumers will turn away from salmon altogether and choose meat instead. That's not good for the wild or farm salmon industries." Comment: In early 2002, the British Columbia government announced that new, comprehensive environmental standards and practices will allow for the managed expansion of the salmon aquaculture industry thus ending a moratorium on fish farms in effect since 1995 (see CA2014).

**NO PRIVATIZATION FOR ONTARIO LIQUOR SALES SAYS CEO:** According to a *Canadian Press* article in the *Ottawa Citizen*, Andy Brandt, Chair and CEO of the Liquor Control Board of Ontario (LCBO), says that Ontario's alcoholic beverage trade should not be privatized because it would cripple the business. Mr. Brandt reportedly said privatization would have a negative impact on the province's 605 provincially run liquor outlets across the province, as well as 450 beer stores, and 800 brew your own outlets. Comment: The LCBO is the largest single purchaser of beverage alcohol products in the world, with annual sales exceeding C\$2.0 billion. Since his appointment to the LCBO more than ten years ago, Mr. Brandt has achieved record dividend transfers to the province of Ontario (C\$905 million in 2000/01). Following privatization in Alberta several years ago, product selection reportedly doubled. In 2002, the British Columbia government approved a long-term strategy to increase private-sector involvement in retailing, distribution and warehousing liquor in that province. The NAFTA requires Canadian provinces to accord national treatment to US wines and spirits in their listing policies but the structure and policies of Ontario's alcoholic beverage regime limit U.S. wine and spirit marketing opportunities.

**CANADA PLEDGES CONTINUED AID TO AFGHANISTAN:** Susan Whelan, Minister for International Cooperation, announced on March 17 that Canada, through the Canadian International Development Agency (CIDA), has renewed its commitment to the reconstruction of Afghanistan. Minister Whelan pledged C\$250 million in new aid to Afghanistan over the next two years. This new funding will support four areas which have been identified by the Afghan Government as priorities: (1) supporting rural livelihoods and social protection, which will include ongoing humanitarian assistance, improving food security and supporting community-driven development; (2) managing natural resources, with an emphasis on agriculture; (3) strengthening security and the rule of law through peacebuilding, legal and judicial reform, strengthening democracy and by becoming the lead donor on demining; (4) providing continued support to the Government of Afghanistan to help solidify its role in its own nation-building and reconstruction efforts. According to CIDA, Canada has contributed more than C\$500 million to humanitarian aid and to long-term reconstruction since 1990. The funding for this initiative was provided for in the February 2003 Canadian federal budget.

**GREAT LAKE ICE WILL HELP FRUIT CROPS:** According to a *Canadian Press* report this year's ice buildup on the Great Lakes is the heaviest since 1979, the last time Lake Superior froze. The ice has slowed grain shipments through the St. Lawrence Seaway, but the buildup of ice is expected to trigger a cool spring which could help prevent fruit trees from budding too early. Weather researchers say the ice will keep water temperatures cooler longer, bring cool breezes to the lake shores. Apples, cherries, grapes, peaches and other fruits grown along the Great Lakes have a reduced chance of being damaged by frost the later in the spring the bud grows.

**Did You Know ...**that total receipts of restaurants, caterers and taverns in January were an estimated C\$2.53 billion, up 4.1% from January 2002? (Source: Statistics Canada)

**Recent Reports from FAS/Ottawa:**

Report Number	Title of Report	Date
CA3014	This Week in Canadian Agriculture, Issue 10	3/14/2003
CA3013	This Week in Canadian Agriculture, Issue 9	3/07/2003

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